

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

NOTICE TO BIDDERS

DATE OF ISSUE: August 30, 2016

TO: Potential Providers of Services

RE: **Request for Proposals (“RFP”) to Conduct Tenant File Audits and Physical Inspections**

This Request for Proposals (RFP) contains additional attachments NOT posted here on MSHDA's website. Please refer to Buy4Michigan.com for additional attachments and information related to this RFP.

Documents added:

- Compliance Questions and Answers
- Physical Inspection Blank Report
- Compliance Portfolio with Zip Codes

Documents updated:

Physical Inspection Process Map replaced with Updated Physical Inspection Process Map
File Audit Process Map replaced with Updated File Audit Process Map

Bid Information:

Bid#: 063516B0009059

Bid Description: Conduct Tenant File Audits and Physical Inspections

Bid Link: [Here](#)

or Copy & Paste:

<https://www.buy4michigan.com/bso/external/bidDetail.sdo?bidId=063516B0009059&parentUrl=activeBids>

Thank you and good luck.

MSHDA Procurement



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

KEVIN ELSSENHEIMER
EXECUTIVE DIRECTOR

August 30, 2016

2016 RFP Questions and Answers (Q&A) for File Audits and Physical Inspections

1. The prior RFP (2011) had a "Contractor Defined" area of the Proposed Fee Schedule. Will this be added to the 2017-2021 RFP?

No. MSHDA Compliance is not offering a "Contractor Defined" option for the 2016 RFP. Only the three MSHDA-defined areas of the State are acceptable for bids in 2016.

2. Our management team would like to know the approximate monthly volume of inspections and locations by zip codes?

The number of inspections and file reviews varies each year, so this data is not available. We have added an additional portfolio report that includes the zip codes for each property in the portfolio. Using this report and other reports provided in the RFP, bidders should be able to calculate the desired information.

3. We would also like to receive the current cost for each inspection that the State of Michigan is paying and an example of the required inspection report.

Current contractor fees can be obtained under FOIA (Freedom of Information Act – See RFP Page #42). Inspection fees under the current (2012-2016) and the new contracts (2017-2019) are based on a cost per unit/file.

As requested, we have included a blank version of our system generated Physical Inspection Report. MSHDA's MPI system is required to create MSHDA inspection reports.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

REQUEST FOR PROPOSALS

DATE OF ISSUE: August 17, 2016

TO: Potential Providers of Services

RE: **Request for Proposals (“RFP”) to Conduct Tenant File Audits and Physical Inspections**

I. Services Sought by Authority

The Compliance Monitoring Section of the Michigan State Housing Development Authority (the “Authority” or “MSHDA”) is issuing this Request for Proposals (“RFP”) to retain qualified contractors to perform tenant file audits (“file audits” or “audits”) and/or physical inspections (“physical inspections” or “inspections”) for the Authority’s multifamily rental portfolio. Contractor(s) selected under this RFP will perform file audits and/or physical inspections in accordance with state and federal regulations.

The contractor(s) selected will be required to enter into and sign a written contract (the “contract” or “awarded contract”) with the Authority. An awarded contract will contain terms and conditions required by MSHDA that will be in effect for the duration of the contract. It is anticipated that awarded contract(s) will commence on or about January 1, 2017 and end on or about December 31, 2019. In its discretion, the Authority may extend a contract for two (2) additional one-year periods (2020 and 2021). Each selected contractor (as defined in Section IV) shall function as an independent contractor for purposes of the awarded contract and neither the selected contractor nor its employees shall be considered MSHDA employees.

Proposals may be submitted for performing file audits, physical inspections, or both file audits and physical inspections for any specific region(s) of Michigan. For your reference, the “Attachments Section” referenced in this RFP refers to individual files posted with this RFP on Buy4Michigan. Materials include a map of the region structure, a report including the number of developments and units by county and region, a process flow chart, and a Compliance Monitoring Information Report with project-specific data.

Michigan law allows for veterans preference only; however, women-owned, minority-owned, and small businesses authorized to conduct business in the State of Michigan are encouraged to register with Buy4Michigan and submit proposals.

II. Contents of this RFP

- Overview of services sought, tasks and activities (“Scope of Work” or “SOW”)
- Exhibit A – Notices to Bidders
- Exhibit B – Proposal Submission
- Exhibit C – Proposal Format
- Exhibit D – Project Personnel Form

- Attachments posted on Buy4Michigan.

III. Key Dates

- **August 17, 2016 – RFP Posted**
- **Questions due August 26, 2016.**
- **Answers posted August 31, 2016.**
- **Bids due September 19, 2016.**
- **Final approval of selections on or about October 26, 2016.**

IV. Overview

The Authority seeks a **file audit and physical inspection** service provider (“Bidder” or “selected contractor”) to **conduct file audits and physical inspections for MSHDA’s multifamily rental portfolio in accordance with State and Federal laws and regulations.**

Bidders may submit proposals to be considered for file audit, physical inspection, or both file audits and physical inspection.

Proposals must clearly indicate those services (i.e., file audit, physical inspection, or both) for which the Bidder is interested in being evaluated and considered for a contract award.

V. General Objectives

In accordance with this RFP, prospective contractors will competitively bid to perform services for developments financed or assisted by a variety of programs administered by the Authority, including but not limited to the following:

- A. Project-Based Section 8 Program* (“Section 8”) (**physical inspections only**);
- B. Section 236 Program (“Section 236”);
- C. Low Income Housing Tax-Credit Program (“LIHTC”) or (“tax credit”);
- D. Taxable Bond Program;
- E. Tax-Exempt Bond Programs (“80/20”, “70/30”, “1%”, “TEAM” and “Tax-Exempt Bond”);
- F. Neighborhood Preservation Program (“NPP”);
- G. HOME TEAM Advantage Program (“HOME TEAM Program”);
- H. HOME Rental Programs;
- I. Pass-Through Program;
- J. Tax Credit Assistance Program (“TCAP”);
- K. Section 1602 (“Exchange Program”); and
- L. Neighborhood Stabilization Program (“NSP”).

****Important Note Regarding Project-Based Section 8 Developments:***

Physical inspections for Section 8 developments are included in this RFP. Tenant file audits for Section 8 developments (including Section 8 Moderate Rehab developments) are NOT included in this RFP. MSHDA Asset Management staff conducts the Section 8 tenant file audits during the Management and Occupancy Review process. A selected contractor will conduct file audits on Section 8 developments only if those developments are also financed or assisted by additional funding

sources/programs, and such audits will be conducted only for those additional programs (i.e., LIHTC, HOME, etc.)

Maintenance of Legal Existence of Entity: At the execution and throughout the term of an awarded contract, each selected contractor shall operate as a limited liability corporation, corporation, or similar entity registered, in good standing, and authorized to do business in the State of Michigan, and will provide valid documentation of same upon request. Each selected contractor must have an office located in the State of Michigan.

Each selected contractor and its key persons (or project personnel) must possess the knowledge, experience, and skills necessary to perform file audits and/or physical inspections. The services must be performed in accordance with, but not limited to, the following: an awarded MSHDA agreement, federal law, HUD and IRS regulations and requirements, and MSHDA policies in effect at the time of the file audit or physical inspection. For your convenience, knowledge, experience, specific tasks and activities are outlined below in accordance with those required for file audits and physical inspections respectively.

VI. File Audit – Processes, Requirements, Tasks & Activities

A. Overview of File Audits. File audits are required to determine if owners of multifamily rental housing developments funded under certain government programs are complying with federal and state regulations. These regulations include certifying the incomes of tenants, ensuring that rents charged are within program guidelines and ensuring that households meet requirements for program and project eligibility.

1. At developments designated by the Authority, the selected contractor shall perform file audits in accordance with Authority requirements. Processes and forms required to provide services are subject to change following written notice by the Authority but shall not result in a material increase in the time necessary to complete the file audit.
2. Each selected contractor shall use Authority-approved language and format for letters, reports and forms (i.e., Scheduling Letters, File Audit Reports, etc.) and shall use MSHDA-designated software when conducting file audits and reporting file audit results.

B. File Audit Frequency.

1. Depending on the source(s) of funding, projects must be audited on an eighteen-month, three-year or five-year cycle for the duration of the applicable compliance and extended use period. Listed below is the required file audit frequency for each program. MSHDA reserves the right to conduct audits more frequently if MSHDA deems this necessary and appropriate based on the results of a previous tenant file audit or for any other reason(s).
2. File audits must be performed according to the following frequencies or at the request of the Authority:

- a. LIHTC, TCAP and Exchange Program developments – File audits are conducted every 3 years for developments in the initial 15-year compliance period and every 5 years from year 16 through the end of the extended use period.
- b. Section 236 and Authority-Financed developments (with or without LIHTC) – File audits are conducted every 18 months. Authority-financed developments include developments financed or assisted pursuant to the Taxable Bond Program and Tax-Exempt Bond Programs (80/20, 70/30, 1%, TEAM and Tax-Exempt Bond).
- c. HOME developments (with or without LIHTC) – File audits are conducted every 3 years.
- d. Developments with Multiple Sources of Funding – File audit frequency for developments with multiple sources of funding defaults to the most restrictive program requirement.

C. File Audit Assignments and Deadlines. The Authority will provide each selected contractor with a list of the developments to be audited during the calendar year and the due dates for performing the file audits. **Selected Contractors must conduct file audits by the required deadline.** MSHDA reserves the right under an awarded contract to change the file audit assignment list at any time.

D. Determining the Number of Files to Review. The selected contractor will audit the minimum percentage of restricted files for each project in accordance with the program requirements listed below. MSHDA reserves the right to require the selected contractor to review a higher percentage of files, if MSHDA deems this necessary and appropriate based on the results of a previous tenant file audit or for any other reason. The selected contractor will review at least one resident file for each building in a project, except single-family homes in scattered site developments.

When calculating the number of files to review, partial numbers of files must be rounded up to the next whole number. For example, if 20% of the files for the restricted units equal 10.1 files, 11 files must be reviewed.

Selected contractors must notify MSHDA by email if the number of files to audit in MSHDA's Multifamily Property Inspection ("MPI") system does not accurately reflect the program requirements as stated in this section.

Minimum percentages are listed as follows:

1. LIHTC, TCAP and Section 1602 Developments.

- a. Lesser of 20% of the restricted units in the development, or the number set forth in Low-Income Housing Credit Minimum Unit Sample Size Reference Chart in Revenue Procedure 2016-15.

2. Authority-Financed Developments.

- a. 20% of the restricted units in the development.

3. Section 236 Developments.

- a. The number of files to be audited is based on HUD's formula below:

Number of Units	Minimum File Sample
100 or Fewer	5 files plus 1 for each 10 units over 50
101-600	10 files plus 1 for each 50 units or part of 50 over 100

4. HOME Developments.

- a. A statistically valid sample, typically 20% of the restricted HOME units in the development or 100% if 1-4 HOME assisted units.

5. Developments with Multiple Funding Sources.

- a. The number of files to audit defaults to the most restrictive program requirement, and requires layering of the required units. (e.g., For a 100 unit project that requires auditing of 10 HOME units and 20 LIHTC units, the selected contractor would audit a total of 20 units with 10 of those units being funded with both HOME and LIHTC.)

E. File Audit Sample Requirements. The selected contractor will randomly select the required number of resident files to be reviewed in accordance with the file audit sample requirements listed below. The selected contractor will notify the development's Management Agent of the files selected for review when the file auditor arrives at the location of the file audit. The selected contractor may not notify the development Owner/Management Agent of the files selected for review prior to the day the file audit is conducted.

1. The file audit sample must include a broad representation of the resident profile at the development and should include as many varied occupancy related issues and situations as possible. For example, the sample should include different unit types (1 bedroom, 2 bedroom, etc.) and must meet the sampling requirements of each funding source (LIHTC, HOME, Section 236, etc.) at the development.
2. A file sample consisting of only new move-ins is not acceptable (except for new developments during initial lease-up).
3. The Authority may designate specific files to audit.
4. Each selected contractor must conduct file audits on restricted units only and should not audit any "market-rate units". Note: Section 236 residents that pay market rent are not considered "market-rate units". Section 236 market renter units are restricted units and therefore they must be included in the sample of files to be selected for audits.

F. Scheduling and Preparing for Tenant File Audits.

1. The selected contractor will contact the Management Agent/Owner by phone or email at least 30 calendar days prior to the audit to arrange the file audit date, time and location.
2. The selected contractor will confirm the scheduled file audit by sending written notice in a format specified by the Authority ("Scheduling Letter") to the development's Management Agent/Owner at least 30 calendar days prior to the scheduled audit date. When the scheduled date is confirmed, the file audit scheduled date and time must be entered into MSHDA's MPI system.
 - a. The Scheduling Letter must include the scheduled date, time and the location of the file audit. It is recommended that the name of the management agent representative who scheduled the audit also be included in the letter.
 - b. The selected contractor will address the Scheduling Letter to the Management Agent of the development. For LIHTC developments, a copy of the letter must be sent to the Owner.
 - c. An electronic copy of the letter must be emailed to MSHDA Compliance.
 - d. The Scheduling Letter must notify the management agent/owner that a current rent roll (or similar report) and a vacancy report must be submitted to the file audit selected contractor at least 10 calendar days prior to the scheduled audit, preferably by email. Upon receipt, this information must be provided to the individual who will conduct the audit, and the auditor must review the information prior to conducting the file audit. Obtaining this information before the audit gives the selected contractor the ability to plan the file sample, which saves valuable time on the day of the file audit.

Important Note: If the management agent fails to provide this required information, the selected contractor must notify MSHDA for assistance in obtaining this documentation.

- e. The rent roll (or similar report) and vacancy report must include the information listed below for all units:
 - i. Unit Number.
 - ii. Head of Household Name (first and last).
 - iii. Move-in Date.
 - iv. Designation (Market Rate or Program/Funding Source).
- f. The rent roll (or similar report) and vacancy report must include the information listed below for all restricted units:
 - i. Current income.
 - ii. Current rent.

- iii. Programs/Funding Sources and AMI % (i.e., LIHTC 50%, HOME 30%, etc.) Any and all applicable unit designations for each unit must be included, such as elderly, disabled, homeless, domestic violence, etc.
 - g. The vacancy report must include:
 - i. Unit Number.
 - ii. Move-out date of last resident.
 - iii. Number of days vacant (preferred but not mandatory).
- 3. The selected contractor will select the tenant file audit sample in accordance with the File Audit Sample Requirements outlined in Section VI.E above.

G. Conducting Tenant File Audits. The selected contractor shall conduct file audits no later than the deadline specified by the Authority and in accordance with MSHDA requirements. While performing tenant file audits, the selected contractor will maintain tenant files in good order and return them to the development in the same condition.

- 1. The selected contractor must request the following items from the owner/manager at the time of the audit:
 - a. Tenant files for the units selected for review.
 - b. Updates to the development's rent roll, if applicable.
 - c. Updates to the development's vacancy report, if applicable.
 - d. Any other program-related documents, reports, etc. deemed necessary by the selected contractor or MSHDA.
- 2. The selected contractor must review any particular file(s) requested by MSHDA.
- 3. The selected contractor must review the required number of files in accordance with program regulations and MSHDA policy (see Determining the Number of Files to Review in Section VI.D provided above). Important Note: Selected contractors must notify MSHDA if the number of files to audit provided electronically by MSHDA does not meet the requirements in Section VI.D.
- 4. The selected contractor must review the resident files and determine if households are in compliance with program/project rules and regulations (see File Audit Requirements provided in Section VI.H below.)
- 5. The selected contractor must record the results of each file audit by entering audit data into the Authority's MPI software (including the unit number and designation (Low Home or High HOME) of each HOME-funded unit file reviewed), and create a File Audit Report ("Audit Report")

and cover letter. Selected contractors shall use Authority approved letters, forms and reports to conduct tenant file audits.

6. The selected contractor must submit the audit data to MSHDA via upload using MPI software. Each selected contractor must send the Audit Report and cover letter in PDF file format electronically to the Management Agent/Owner and to MSHDA via email.
7. During and at the conclusion of the file audit, the selected contractor must verbally review and explain, in person, the file audit results and findings with the development's management agent representative or personnel. The selected contractor will provide the management agent representative with an opportunity during or at the conclusion of the audit to locate any missing or misfiled documents. The selected contractor should also provide the Management Agent with an opportunity to ask questions about the audit.
8. At the conclusion of the audit, the selected contractor must provide the Management Agent with a Customer Service Survey form or the selected contractor may choose to email an electronic version of the form prior to or after the file audit is conducted. The survey must be hand delivered or emailed to at least the individual working directly with the selected file audit contractor who conducts the audit.
9. The selected contractor must track and store all data, letters, forms, reports and management agent responses generated during the file audit process in an electronic format and as required by the Authority. (See Technical Specifications and Requirements in Paragraph P found below.)

H. File Audit Requirements. The selected contractor must review tenant files to determine compliance with applicable program/project rules and regulations. The selected contractor's review shall include, but not be limited to, the following information:

1. Initial tenant certification and verifications. Income at move-in (or initial eligibility) of each household and the supporting documentation used to determine that income. (Note: Move-in or initial eligibility information may not be available for Section 236 developments. If the information is not available, the selected contractor shall note it, but this shall not be considered to be noncompliance. However, if the development has Section 8/LIHTC or Section 236/LIHTC, missing move-in, or initial eligibility documentation must be reported as noncompliance.).
2. Current tenant certification and verifications. Current income of each household and the supporting documentation used to determine that income.
3. Determine if household is qualified under the appropriate income limit.
4. Zero Income Statements, where required.

5. For Section 236 projects, deductions and allowances (i.e., medical, elderly, and dependent) for each household and the documentation used to determine those deductions and allowances, if required.
6. Supplemental documentation (i.e., social security cards (or numbers), birth certificates, etc.).
7. Project and program eligibility* of each household for student status, elderly status*, etc.
8. Re-certifications for each household, if required.
9. The rent amount charged to each household.
10. Appropriate utility allowance amount for each unit.
11. The lease agreement.
12. The consistency of the information provided in the tenant file, on reports submitted to MSHDA by the development's Owner including the owner's rent roll, vacancy report and the lease agreement.
13. For all developments, obtain the current number of vacant units and vacancy percentage. If the percentage of vacancy is 10% or higher, selected contractors must obtain from the Owner/Management agent an explanation and improvement plan for addressing the vacancy issue.
14. For Section 236 developments, an electronic copy of the incorrect and corrected versions of 50059 forms must be obtained and submitted to the Authority.
15. For all noncompliance findings for all developments, electronic copies of pertinent documents, i.e., TIC, 50059, verifications, etc. must be obtained and submitted to the Authority.
16. HOME unit designation (Low HOME/High HOME).
17. Required Lead Based Paint notifications (if applicable) are provided to residents and receipts or other documentation are included in tenant files.
18. Other items and information as specified by MSHDA.

* Important note regarding resident eligibility for HUD elderly developments: Certain developments have HUD's approval allowing near elderly individuals to reside at elderly developments. For these developments, a copy of the HUD approval waiver must be obtained at the time of the audit and an observation noted in the audit report. Absence of this documentation must be reported as noncompliance in the event that residents of elderly developments do not meet HUD's age requirements (age 62 or older).

- I. Issuing File Audit Letters and Initial File Audit Reports.** After the tenant file audit has been conducted, the selected contractor must prepare and submit a letter and an initial File Audit Report to the Management Agent and to the Authority in accordance with the following requirements:
1. The file audit letter and File Audit Report must be issued to the attention of the Management Agent and MSHDA no later than 30 calendar days after the date the file audit was conducted.
 2. For LIHTC developments, a copy of the file audit letter and File Audit Report must also be sent to the project Owner.
 3. The requirements for the file audit letter and initial File Audit Report are as follows:
 - a. File audit letter. The selected contractor must use Authority-approved language and format.
 - b. File Audit Report. The selected contractor must use Authority-approved language and format.
 - i. All Files Reviewed. The selected contractor must list all units reviewed in the File Audit Report, including those with no noncompliance issues. For each unit reviewed the following information is required:
 - Unit number
 - Resident name (Head of Household)
 - Move-in or initial eligibility date
 - HOME unit designation (Low or High), if applicable
 - Any other additional information required by MSHDA.
 - ii. File Audit Findings, Observations, and Corrective Actions for Units with Potential Noncompliance.
 - Brief but detailed description of each File Audit Finding and/or Observation
 - List of required and/or suggested corrective actions that the Management Agent/Owner may/must take.
 - Date each unit identified was “out of compliance”
 - Required Correction Deadline. MSHDA’s correction deadline is 30 days. The selected contractor conducting audits may approve extensions up to 60 day (additional 30) for extenuating circumstances. If the selected contractor approves an extension, the Owner/Management Agent must submit the final Audit Response (as defined in Section VI.J) to MSHDA for review no later than the extension due date. For extenuating circumstances, an extension up to 90 days may be approved by MSHDA.
 - “Back in compliance” date, if the noncompliance has been corrected.

- Selected contractor mail and email address for File Audit Responses – selected contractor must include the mailing and email address that file audit responses and correction documents must be sent to.
- Addressee of audit letter – selected contractor shall address the audit letter to the Management Agent for the development. The selected contractor shall send copies to MSHDA Compliance and for LIHTC developments a copy should also be sent to the Owner.
- Compliance (or Noncompliance) with Program Requirements. The selected contractor should state in the audit letter that, based on the files reviewed, the selected contractor believes that the development complies (or does not comply) with program/project requirements.
- The File Audit Report must also contain overall observations, if applicable.

J. Reviewing Management Responses and Issuing Follow-up Letters. The Owner/Management Agent is required to submit a complete, accurate and timely written response to the File Audit Report (“Audit Response” or “AR”) to the selected file audit contractor and MSHDA Compliance. The AR must describe the corrective actions taken and include pertinent documentation of those actions.

1. Requirements For File Audit Responses. The AR must address all findings cited in the File Audit Report. For each unit cited as being in noncompliance, the following information is required for each individual finding:
 - a. Description of the corrective actions taken.
 - b. Correction date; and
 - c. Documentation (TIC forms, 50059 forms, verifications, etc.) of the corrective action taken. The documentation should be submitted to the selected file audit contractor only. The selected file audit contractor will then provide MSHDA with electronic copies of certain documentation as specified in the Contractor Close-out Process outlined below.
 - i. If a complete, accurate and timely response is received, the file audit contractor will issue a close-out letter to notify the Owner/Management Agent that any findings, observations and/or general issue(s) have been satisfactorily resolved and the file audit is being closed (See Contractor Close-out Process found below).
 - ii. If a response is received, but the response is incomplete, inaccurate or if a correction or additional documentation is needed, the file audit contractor must send a follow-up letter to the Owner/Management Agent. The follow-up letter must

request the correction and/or additional documentation be provided no later than 10 calendar days from the follow-up letter date.

K. Issuing Nonresponse Letters.

1. If no response to the Audit Report is received from the Owner/Management Agent by the required correction deadline, the selected contractor must send a notification of noncompliance letter (nonresponse letter) per Authority guidelines using Authority-approved language. The nonresponse letter must be sent no later than 3 calendar days after the required correction date.
2. If a response to the nonresponse letter is received, the selected contractor will review the response as specified in Section VI.J above. If the response is incomplete, inaccurate or additional documentation is needed, the selected contractor must send a follow-up letter to the Owner/Management Agent. The follow-up letter must request that the correction and/or additional documentation be provided no later than 10 calendar days from the follow-up letter date.
3. After the nonresponse letter is issued, if no response is received after the required response period, the selected contractor must close-out the file audit with the outstanding noncompliance issues described in the close-out letter and in the final Audit Report and the Summary Report of Noncompliance Findings. Noncompliance issues must be referred to the Authority for resolution.

L. Contractor Close-out Process. After the correction deadline has expired and the required follow-up correspondence has been issued, or after the selected contractor has received a complete and accurate response, the selected contractor must close-out the file audit process as described below:

1. File Audit Close-out Letter and Final Audit Report.
 - a. The selected contractor must issue a Close-out Letter and Final Audit Report to the Owner/Management Agent using Authority-approved language and format no later than 14 calendar days after the end of the final correction period.
 - b. Final File Audit Report and Summary of Noncompliance Findings. The selected contractor must use the Authority-approved form. The Final File Audit Report must include the file audit information required in the initial file audit (See Section VI.I) and must also include the current status of each noncompliance finding or issue (corrected or uncorrected), the date each unit was brought “back into compliance” and LIHTC 8823 recommendation, if applicable.
 - c. If the selected contractor closes the file audit with outstanding noncompliance issues, MSHDA will work with the Management Agent/Owner to correct any outstanding noncompliance issues.

- d. The selected contractor must send MSHDA an electronic copy of the Close-out Letter, Final Audit Report and Summary of Noncompliance Findings and any other pertinent documents per the requirements below, within 7 calendar days of the close-out letter date.

The selected contractor must submit the following documents to MSHDA within 7 calendar days of the close-out letter date, if any or all of these documents have not yet been submitted to MSHDA:

- i. Electronic copy of the management agent's response cover letter (Note: Backup documentation will only be sent to the Authority upon request and must be maintained per Authority guidelines. Refer to the paragraph entitled "Record Keeping" found below.)
- ii. Electronic copy of the rent roll.
- iii. Electronic copy of the vacancy report.
- iv. For developments with vacancies that exceed 10%, an electronic copy of the development's marketing efforts and plans to resolve the vacancy issue.
- v. For Section 236 developments with noncompliance findings, the selected contractor must submit an electronic copy of the incorrect and corrected versions of the 50059 forms.
- vi. For all developments with noncompliance findings, the selected contractor must submit electronic copies of pertinent correction documents, i.e., TIC, 50059, verifications, etc. must be obtained and submitted to the Authority.

M. Extension Requests. MSHDA's correction deadline is typically 30 days from the date the initial File Audit Report is issued. If extenuating circumstances exist, the Owner/Management Agent may submit an extension request in writing to the file audit contractor and MSHDA for approval.

The selected file audit contractor may approve extensions up to 60 days (additional 30) for extenuating circumstances. If the selected contractor approves an extension, the Owner/Management Agent must submit the final AR to MSHDA for review no later than the extension due date.

N. Additional File Audit Contractor Requirements. The selected contractor will work with Compliance Monitoring and/or other designated MSHDA staff to ensure consistency and uniformity in file audit and reporting procedures. Work will include but may not be limited to the following:

- 1. Attend MSHDA Workshops, Meetings and Conference Calls. Selected contractors must attend MSHDA Compliance workshops, meetings and/or conference calls to:

- a. Ensure familiarity with state agency policies and consistency in the file audit process.
- b. Review file audit progress and results.
- c. Discuss file audit process issues.
- d. Discuss forms that must be included in the tenant files, forms required for monitoring tenant files, file audit standards, etc.
- e. Notify MSHDA of issues or concerns regarding file audits conducted or scheduled to be conducted (i.e., missing rent roll or vacancy reports, serious noncompliance, etc.).
- f. The selected contractor shall be available to the Authority to discuss methods and results of the file audits and responses from Management Agents/Owners. The selected contractor will provide verbal or written clarification regarding the file audit findings of any and all developments to MSHDA staff and/or Owners/Management Agents when needed.
- g. The selected contractor shall also provide copies or notes, correction documents, etc. pertaining to file audits, if/when requested by Authority staff.

2. Attend trainings on HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs and LIHTC Training. Requirements include but may not be limited to the following:

- a. Selected contractors must attend trainings on HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs on an annual basis. Selected contractors must provide electronic copies of the training certificates to MSHDA in January each year while under contract with MSHDA.
- b. Selected contractors performing audits on LIHTC developments must also attend at least one tax credit compliance seminar each year. Selected contractors must provide electronic copies of the training certificates to MSHDA each year while under contract with MSHDA.
- c. The Authority is not responsible for any contractor training costs.

3. Submit Invoices for Payment of Fees. The selected contractor must submit invoices for services rendered in a manner and format prescribed by the Authority. The selected contractor may only bill MSHDA for units that are reviewed. The selected contractor must send a copy of the file audit cover letter and report by electronic mail, first class or overnight mail, or hand delivery when the invoice is submitted for payment.

4. **Record Keeping.** The selected contractor must maintain records as deemed necessary by the Authority and make the records available to the Authority for three (3) years after the expiration of the awarded contract or extension thereof (see Technical Specifications and Requirements below).

O. Assistance from MSHDA. MSHDA Compliance staff will provide scheduling or other types of assistance to the selected contractor if an Owner/Management Agent fails to respond or cooperate with the selected contractor in the file audit process. The selected contractor must notify MSHDA by email of any issues that require MSHDA staff assistance.

P. File Audit Technical Specifications and Requirements. MSHDA has developed systems to help streamline the file audit process. In order for this process to continue to work, the selected contractor must be able to use these systems for conducting and reporting file audits.

1. **MSHDA's Online Databases – MPI and CARS.** In order to use MSHDA's online databases, MPI and the Compliance Audit Response System ("CARS"), selected contractors must have administrative access to their devices and a web browser that is I.E. (Internet Explorer) capable at an 8.0 version or higher. Also, selected contractors must have the ability to turn off pop-up blockers. Please note that all related expenses are the responsibility of the selected contractor.

The MSHDA Compliance Portal, featuring CARS must be used for follow-up and tracking of the file audit processes.

2. **MSHDA's Multifamily Property Inspection (MPI) Software.** The Authority will provide the selected contractor with MPI software and instructions for installation. The MPI software will be provided to the selected contractor(s) at no charge. MPI is updated periodically and selected contractors are required to install and maintain updates on a timely basis when issued.

MPI is a software application that allows selected contractors to schedule inspections or audits, record data and create physical inspection reports and file audit reports. Selected contractors access MPI through a secured web portal to schedule inspections and audits. Once the property inspection or audit has been scheduled, property data can be downloaded from the MSHDA Compliance database for use during or after the inspection or audit to input findings. After inspection or audit findings have been entered into MPI, Physical Inspection Reports or File Audit Reports can be generated. MPI is a disconnected application which allows selected contractors to enter inspection or audit data and create reports on-site without an internet connection. Once inspection or audit data is entered, an internet connection is required to upload the data to MSHDA.

The MPI software provided by the Authority is and remains the property of the Authority. Selected contractors must agree not to copy, loan, or sell the MPI software, or make it available to other persons or entities (other than the selected contractor's employees or subcontractors) or use the software for any

purpose other than Authority file audits and physical inspections. The selected contractor may not alter or modify the software in any way.

In order to run the MPI program, the selected contractor(s) must have administrative access to their machines, an Internet service provider and an email account. Please note that all related expenses are the responsibility of the selected contractor.

3. **MSHDA Compatible Software.** All documentation related to file audits that is stored electronically and/or submitted to the Authority must be in a compatible format. The following software programs are currently compatible with MSHDA's systems:

- a. Adobe.
- b. Microsoft Products (e.g., Excel, Access, Word).

4. **Contractor Database.** Selected contractors are required to create and maintain a database for tracking the status of the file audit processes. The data for each property must contain the project name, address and MSHDA number. The selected contractor must retain the data collected in the database throughout the life of the contract, including any contract renewals or extensions. Periodically throughout the contract period, MSHDA may request that the selected contractor provide a file audit status report.

At contract expiration, any and all data collected for the contracted services will be given to MSHDA via data transfer in an approved format. Approved formats are listed below in order of MSHDA's preference:

- a. SQL.
- b. Microsoft Access.
- c. Microsoft Excel.

5. **Ownership of Data and Records.** Any and all Work Products developed or otherwise created under an awarded contract shall be deemed the property of the Authority.
6. **Record Keeping.** The selected contractor shall retain and make available to the Authority (and the Auditor General of the State of Michigan, or any authorized representative) all file audit records for three (3) years after the expiration of an awarded contract or extension thereof unless permission to destroy them on an earlier date is granted by both the Authority and the State of Michigan.

VII. Physical Inspections – Processes, Requirements, Tasks & Activities

- A. **Overview of Physical Inspections.** Inspections are required to determine if owners of multifamily rental housing developments funded under certain government

programs are complying with federal and state regulations. These regulations include ensuring that the developments are suitable for occupancy.

- B. Types and Requirements for Performing Physical Inspections.** At developments designated by the Authority, the selected contractor shall perform physical inspections in accordance with Authority requirements. Processes and forms required to provide services are subject to change following written notice by the Authority but shall not result in a material increase in the time necessary to complete the physical inspection.

The selected contractor shall use Authority-approved language and format for letters, reports and forms (i.e., Scheduling Letters, Hazard Notice Forms, Physical Inspection Reports, etc.) and shall use the Authority's Multifamily Property Inspection ("MPI") software when conducting physical inspections and reporting physical inspection results.

- 1. UPCS Plus Inspections.** The physical inspection standard for Section 8, Section 236, and Authority-financed developments is "UPCS Plus". The basis for this standard is the Uniform Physical Condition Standard ("UPCS") with additional MSHDA requirements ("M Items"). All physical inspection contractors and their inspectors must have training and proficiency in UPCS standards.
- 2. US Department of Housing and Urban Development ("HUD") REAC Inspections.** HUD requires that MSHDA conduct REAC inspections utilizing HUD's REAC system, standard and timeline for a small portfolio of FHA-insured projects for which the Authority is the Mortgagee. HUD REAC inspections must be conducted according to HUD's timeline, utilize REAC inspection standards and the inspection results must be uploaded to HUD and MSHDA through HUD's REAC system.

To conduct MSHDA's REAC inspections, selected physical inspection contractors must meet HUD's minimum qualification requirements and must be trained and certified in HUD's REAC protocol and procedures. The Physical Assessment Sub System ("PASS") of the Office of Public and Indian Housing - Real Estate Assessment Center ("PIH-REAC") facilitates these inspections for all HUD-affiliated properties.

MSHDA must contract with at least one REAC certified inspector to remain in compliance with HUD requirements. Contractors that are UPCS trained, but are not REAC certified and HUD approved to conduct REAC inspections do not qualify to conduct REAC inspections for MSHDA.

- 3. Physical Inspection Standards.** When conducting physical inspections, the selected contractor must follow and apply the following physical inspections standards:
 - a. Section 8, Section 236 and Authority-financed Taxable Bond and Tax Exempt Bond developments - "UPCS Plus" Standards (MSHDA Inspection).

UPCS Plus - The physical inspection standard for Section 8, Section 236, and Authority-financed developments is the "UPCS Plus". The basis for this standard is the Uniform Physical Condition Standard (UPCS) with additional MSHDA requirements (M Items). All physical inspectors must have training and proficiency in UPCS standards. MSHDA will provide training for the selected contractors on the additional requirements of "UPCS Plus".

The "UPCS Plus" manual is posted on the MSHDA Compliance Monitoring website at www.michigan.gov/mshda, (click on "Property Managers" "Compliance for Rental Housing", "Manuals", "UPCS Plus Physical Inspection Manual").

- b. LIHTC, TCAP, Exchange Program and HOME developments – "UPCS" Standards (Uniform Physical Condition Standards).

UPCS is the physical inspection standard which is used by HUD REAC PASS inspectors, but MSHDA UPCS inspections utilize MSHDA's MPI system which does not include a REAC score. The UPCS standard requires UPCS training, but does not require HUD REAC training or certification. All physical inspectors must be proficient in the UPCS standards.

- c. FHA-Insured Developments – HUD REAC Inspection Standards, Timeline and System is required.

HUD requires that MSHDA conduct REAC inspections for certain FHA-insured projects for which MSHDA is the Mortgagee. HUD REAC inspections must be conducted according to HUD's timeline using REAC inspection standards. Inspection results must be reported to HUD and MSHDA through HUD's REAC system. The REAC system applies a score to each inspection conducted.

Conducting MSHDA's REAC inspections requires individuals to become trained and certified in HUD's REAC protocol and procedures. The Physical Assessment Sub System (PASS) of the Office of Public and Indian Housing - Real Estate Assessment Center (PIH-REAC) facilitates these inspections for all HUD-affiliated properties.

- 4. Developments with Multiple Sources of Funding.** The inspection frequency for developments with multiple sources of funding defaults to the most restrictive program requirement. (Section 8 with LIHTC, Section 236 with LIHTC, HOME with MSHDA-financed and all MSHDA-financed with LIHTC developments – MSHDA "UPCS Plus" standards).
- 5. Training and Certification for Physical Inspections.** Selected physical inspection contractors shall ensure that key persons who perform physical inspections have received training on physical inspections from a program approved by HUD or the Authority. The selected contractor shall provide recent certificates of training in UPCS for each key person who performs

Physical Inspections, thereby certifying that the key person is adequately trained to perform Physical Inspections as described in this RFP and an awarded contract.

- 6. Requirement to Provide Inspector Resumes and Training Certificates.** Bidders must provide a resume for each key person detailing the key person's technical knowledge and experience. Copies of the most recent compliance training certificates for each key person (HUD 4350.3, LIHTC, HOME, UPCS, REAC, etc.) must also be provided.
- 7. MSHDA Meetings.** During the term of an awarded contract, the selected contractor shall participate in orientations and workshops provided by the Authority to help the selected contractor develop expertise and familiarity with the Authority's specific requirements and quality requirements, which may include:
 - a. The requirements of the Authority's specific policies and procedures for each program, governing regulations, and performance standards and expectations.
 - b. The respective responsibilities and duties of the selected contractor and the Authority in connection with inspection services.
 - c. Forms that the selected contractor will use when providing inspection services.
- 8. Physical Inspection Frequency.** Depending on the source(s) of funding, projects must be inspected on a one-year, three-year or five-year cycle for the duration of the compliance period and extended use period. Listed below is the required physical inspection frequency for each program. MSHDA reserves the right to conduct inspections more frequently if MSHDA deems this necessary and appropriate based on the results of a previous inspection or for any other reason(s):
 - a. LIHTC, TCAP and Exchange Program developments – physical inspections are conducted every 3 years for developments in the initial 15 year compliance period and every 5 years from year 16 through the end of the extended use period.
 - b. Section 8, Section 236 and Authority-financed developments (with or without LIHTC) – Physical inspections are conducted every 12 months. Authority-financed developments include developments financed or assisted pursuant to the Taxable Bond Program and Tax-Exempt Bond Programs (80/20, 70/30, 1%, TEAM and Tax-Exempt Bond).
 - c. HOME developments (with or without LIHTC) – Physical inspections are conducted every 3 years.

- d. Developments with Multiple Sources of Funding – Physical inspection frequency for developments with multiple sources of funding defaults to the most restrictive program requirement.

9. Physical Inspection Assignments and Deadlines. The Authority will provide the selected contractor with a list of the developments to be inspected during the calendar year and the due dates for performing the inspections. The selected contractor must conduct inspections by the required deadline. MSHDA reserves the right to change the inspection assignment list at any time.

10. Determining the Number of Units to Inspect. The selected contractor must inspect the minimum percentage of units for each project in accordance with the program requirements listed below. MSHDA reserves the right to require the selected contractor to inspect a higher percentage of units, if MSHDA deems this necessary and appropriate based on the results of a previous inspection or for any other reason.

The selected contractor must inspect at least one unit in each building of a project, except single-family homes in scattered site developments. These properties require inspection of the exterior of each building and the grounds, but only require that 20% of the units in the project be inspected.

For developments financed through the Section 8 and Section 236 Programs, the selected contractor shall not inspect more than 25 units unless the development also includes LIHTC units, which require that 20% of the low-income units per project be inspected.

Specific numbers of units to be inspected are as follows:

- a. LIHTC, TCAP and Exchange Program. Lesser of 20% of the restricted units in the development, or the number set forth in Low-Income Housing Credit Minimum Unit Sample Size Reference Chart, in Revenue Procedure 2016-15. The Contractor shall not inspect any market-rate units.
- b. Authority Financed Taxable Bond and Tax-Exempt Bond Developments. 20% of the total units (including restricted and market-rate units).
- c. Section 8 and Section 236 Program Units. 20% of the restricted units in the development, not to exceed 25 units. The selected contractor shall not inspect any market rate units.
- d. HOME Developments. A statistically valid sample, typically 20% of the restricted units in the development or 100% if 1-4 HOME assisted units. The selected contractor shall not inspect any market rate units.

Developments with Multiple Funding Sources. The number of units to inspect defaults to the most restrictive program requirement, and requires layering of the required units. (Ex., for a 100 unit project that requires inspection of 10 HOME units and 20 LIHTC units, the

selected contractor would inspect a total of 20 units with 10 of those units being funded with both HOME and LIHTC.)

Important Notes: When calculating the number of units to inspect, partial numbers of units must be rounded up to the next whole number. For example, if 20% of the restricted units are 10.1 units, 11 units must be inspected.

The selected contractor must notify MSHDA by email if the number of units to inspect in MSHDA's MPI system does not accurately reflect the program requirements as stated in this section.

11. Physical Inspection Sample Requirements. The selected contractor will randomly select the required number of units to be inspected in accordance with the physical inspection sample requirements listed below. The selected contractor will notify the Management Agent of the units selected for inspection when the inspector arrives at the location of the physical inspection. The selected contractor must not notify the development Owner/Management Agent of the units selected for inspection prior to the day the physical inspection is conducted.

- a. The physical inspection sample must include a broad representation of the resident profile at the development and should include as many varied occupancy-related issues and situations as possible. For example, the sample should include different unit types (1 bedroom, 2 bedroom, etc.) and must meet the requirements of each funding source (LIHTC, HOME, Section 8, etc.) at the development.
- b. A unit sample consisting of only new move-ins and/or vacant units is not acceptable (except for new developments during initial lease-up).
- c. The Authority may designate specific units to inspect.
- d. **Restricted Units Only:** For Section 8, Section 236 and HOME developments the selected contractor shall conduct physical inspections on restricted units only and should not inspect any "market-rate units". (Note: Section 236 residents that pay market rent are not considered "market-rate units". Section 236 market renters are restricted units and therefore they must be included in the sample of units to be selected for inspection).
- e. **Restricted and Market Units:** For Authority-financed Tax-Exempt and Taxable Bond developments the physical inspection shall include 20% of the total units (restricted and market-rate units).
- f. If any units have been vacant for more than 30 days and are not currently in the process of being leased, at least one of these vacant units must be inspected to ensure the vacant unit is market-ready. If there are several units that have been vacant for an extended period of time, the selected contractor should inspect the unit(s) that has/have been vacant for the longest period of time.

C. Physical Inspection Process. The selected contractor will be required to schedule, conduct, follow-up and close physical inspections in accordance with MSHDA's physical inspection process. Email is the preferred method of delivery for all inspection documents and correspondence.

1. Scheduling and Preparing for Physical Inspections.

- a. The selected contractor will contact the Management Agent/Owner by phone or email at least 30 calendar days prior to the inspection to arrange the inspection date and time.
- b. At least 30 calendar days prior to the scheduled inspection date, the selected contractor will, in a format specified by the Authority, confirm the scheduled inspection by sending written notice ("Scheduling Letter") to the development's Management Agent/Owner. When the scheduled date is confirmed, the inspection date and time must be entered into MSHDA's MPI system.
 - i. The Scheduling Letter must include the scheduled inspection date, time and the location of the physical inspection. It is recommended that the name of the management agent representative who scheduled the inspection also be included in the letter.
 - ii. The selected contractor will address the Scheduling Letter to the Management Agent of the development. For LIHTC developments, a copy of the letter must be sent to the Owner.
 - iii. An electronic copy of the Scheduling Letter must be emailed to MSHDA Compliance.
 - iv. Rent Roll & Vacancy Report: The Scheduling Letter must notify the Management Agent/Owner that a current rent roll (or similar report) and a vacancy report must be submitted to the selected physical inspection contractor at least 10 calendar days prior to the scheduled inspection, preferably by email.

Upon receipt, this information must be provided to the individual who will conduct the physical inspection and the inspector must review the information prior to conducting the inspection. Obtaining this information before the inspection gives the selected contractor the ability to plan the unit sample, which saves valuable time on the day of the inspection. Important Note: If the Management Agent fails to provide this required information, the selected contractor must notify MSHDA so that MSHDA can provide assistance in obtaining this documentation.

The rent roll (or similar report) for **all units** must include the following:

- Unit #

- Head of Household Name (first and last)
- Move-in Date
- Designation (Market Rate or Program/Funding Source)

For **all restricted units** the rent roll (or similar report) should include Programs/Funding Sources and AMI % (i.e. LIHTC 50%, HOME 30%, etc.) Any and all applicable unit designations for each unit must be included (i.e., elderly, disabled, homeless, domestic violence, etc.)

Vacancy reports must include the information listed below.

- Unit #
 - Move-out Date of Last Resident
 - Number of Days Vacant (preferred but not mandatory)
- The selected contractor will choose the inspection sample in accordance with the Physical Inspection Sample Requirements provided above in Section VII.B.11.
 - The selected contractor will review the CNA report, if applicable (see Section below entitled “Conducting CNA Reviews at Authority-Financed Developments”).

2. Conducting Physical Inspections. The selected contractor must conduct physical inspections in accordance with MSHDA requirements and no later than the deadline specified by the Authority.

- The selected contractor must request the following items from the Owner/Manager at the time of the inspection:
 - Updates to the development's rent roll, if applicable.
 - Updates to the development's vacancy report, if applicable.
 - Local health, safety, or building code violations and documentation of violation corrections.
 - Any other documents, reports, etc. deemed necessary by the selected contractor or MSHDA.
- The selected contractor must inspect any particular unit(s) requested by MSHDA.
- The selected contractor must inspect the required number of units in accordance with program regulations and MSHDA policy (See Section VII.B.10 above entitled Determining the Number of Units to Inspect). Important Note: The selected contractor must notify MSHDA if the number of units to inspect provided electronically by MSHDA does not meet the requirements in Section VII.B.10.

- d. The selected contractor must inspect each unit and area of the subject property and determine if there are any UPCS and/or MSHDA inspection deficiencies (M items), if applicable (see Section VII.C.3 below entitled Physical Inspection Requirements).
- e. The selected contractor must record the results of each inspection by entering the inspection data into the MPI software **(including the number and designation of each HOME unit inspected)**, and create a Physical Inspection Report and a cover letter. The selected contractor shall use Authority approved letters, forms and reports to perform physical inspections and/or re-inspections.
- f. The selected contractor must submit the inspection data to MSHDA via upload using the MPI software. The selected contractor must send the Physical Inspection Report and cover letter in PDF file format electronically to the Management Agent/Owner and to MSHDA via email.
- g. Selected physical inspection contractors must not discuss findings or results directly with residents, or with the management agent representative while in the presence of the residents (i.e. tenant housekeeping issues). However, if a resident requests that the selected contractor inspect a particular item(s) in the unit, the inspector should comply with the resident's request and should note any observed deficiencies.
- h. During and at the conclusion of the inspection, the selected contractor must verbally review and explain, in person, the inspection results and deficiencies with the development's management agent representative or personnel. The selected contractor will provide the management agent representative with an opportunity during or at the conclusion of the inspection to ask questions about the inspection.
- i. At the conclusion of the inspection, the selected contractor must provide the Management Agent with a Customer Service Survey form or the selected contractor may choose to email an electronic version of the form prior to or after the inspection is conducted. The survey must be hand delivered or emailed to at least the individual working directly with the selected physical inspection contractor who conducts the inspection.
- j. The selected contractor shall be available to discuss methods and results of the physical inspections with MSHDA.
- k. The selected contractor must track and store all data, letters, forms, reports and management agent responses generated during the physical inspection process in an electronic format and as required by the Authority. (See below Section VII.F entitled Technical Specifications and Requirements.)

3. Physical Inspection Requirements. The selected contractor's primary responsibilities during the physical inspection are as follows:

- a. The selected contractor must inspect the following areas of the property and determine if there are any life-threatening/Exigent Health and Safety ("EH&S") issues or other UPCS deficiencies at the property. If applicable, the selected contractor must also determine if there are any MSHDA deficiencies (M items):
 - i. Site (including outdoor grounds and parking lots).
 - ii. Building Exteriors.
 - iii. Building Systems.
 - iv. Common Areas (non-residential).
 - v. Residential Buildings and Units.
- b. If there are any life-threatening/EH&S deficiencies, the selected contractor must report those issues to the Owner/Management Agent and MSHDA by issuing a Hazard Notice at the conclusion of the inspection. The inspector and the owner/management agent representative must sign the Hazard Notice form. The selected contractor must send an electronic copy of the notice to MSHDA no later than 24 hours after the conclusion of the inspection.
- c. When conducting physical inspections, the selected contractor must address any local health, safety, or building code violations as provided for in Section VII.C.4 entitled Reviewing/Documenting Local Health, Safety or Building Code Violations.
- d. If a Capital Needs Assessment ("CNA") Report is provided to the selected contractor, the selected contractor must review the CNA Report, inspect the CNA designated areas and include comments in the Physical Inspection Report regarding the status of the CNA work completed, work in progress and any CNA required work that appears to be needed, but is not yet in process (see below Section VII.C.5 entitled Conducting CNA Reviews at Authority-Financed Developments).

4. Reviewing/Documenting Local Health, Safety or Building Code Violations.

- a. When conducting physical inspections, the selected contractor must ask the management agent/owner representative if any local health, safety, or building code violations reports or notices have been issued since MSHDA (or a physical inspection contractor of MSHDA) conducted the last physical inspection.

- b. If a violation(s) has occurred, the inspector must obtain a copy of the local health, safety, or building code violation reports or notices for any and all violations issued.
- c. The Contractor must review all local health, safety, or building code violation reports or notices issued and the corrective actions taken.
- d. If violations have been issued, the inspector must inspect the area(s) and include in the Inspection Report a description of the issue(s) and whether or not the issues have been resolved.

5. Conducting CNA Reviews at Authority-Financed Developments. CNAs have been conducted on certain Authority-financed developments. For these developments, the selected contractor must review the CNA report and perform a CNA inspection per Authority guidelines.

The Authority will provide the selected contractor with the CNA report(s). The selected contractor must review the development's CNA report(s) prior to conducting the physical inspection and must inspect CNA items per Authority guidelines. The selected contractor must provide feedback in the Physical Inspection Report regarding all CNA matters (i.e., the "CNA Review").

The "CNA Review" consists of the following:

- a. Prior to conducting physical inspections at Authority-financed developments, the selected contractor shall review the CNA report for the development, if a CNA is available for the particular development.
- b. The CNA Review shall be conducted once a year for each Authority-financed development during the physical inspection to confirm the status of work or items recommended or cited in the CNA as requiring repair or replacement.
- c. The selected contractor shall report the status of the work or items recommended in the CNA in the Physical Inspection Report.

6. Issuing Physical Inspection Letters and Physical Inspection Reports. After the physical inspection has been conducted, the selected contractor must prepare and submit a letter and a Physical Inspection Report to the Management Agent and to the Authority in accordance with the following requirements:

- a. The letter and Physical Inspection Report must be issued to the attention of the Management Agent and MSHDA no later than 30 calendar days after the date the inspection was performed.
- b. For LIHTC developments, a copy of the letter and Physical Inspection Report must also be sent to the project Owner.
- c. The requirements for the inspection cover letter and Physical Inspection Report are as follows:

- i. Inspection report cover letter. The selected contractor must use Authority-approved language and format.
- ii. Physical Inspection Report. The selected contractor must use Authority-approved language and format. The report must include the following:
 - Summary of the weather conditions at the time the inspection was conducted (sunny, raining, etc.).
 - All Units Inspected – The selected contractor must list all units reviewed in the Physical Inspection Report, including those with no compliance issues which will indicate that there are no observed deficiencies (NOD).
 - All UPCS deficiencies observed and any MSHDA deficiencies, if applicable.
 - CNA comments, if applicable.
 - Comments regarding local health, safety, or building code violations reports or notices, if applicable.
 - Certification status for elevator, fire alarm, fire suppression and boiler systems, if applicable (buildings with 11 units or more require boiler certificates).
 - Required information regarding potential bed bug issues.
Note: Inspectors should not inspect units that are reported to have bed bugs. If a unit selected for inspection is reported to have bed bugs, the inspector must choose a different unit to inspect.
 - Any additional inspector comments regarding the physical condition of the property.
 - Any additional information requested by the Authority.

7. Management Agent/Owner Requirements for Correcting Deficiencies and Deadlines for Submitting Physical Inspection Responses. Management Agents/Owners are required to correct all deficiencies the inspector observed during the inspection and must provide to the inspector and MSHDA Compliance, a complete, accurate and timely Physical Inspection Response (“PIR”) which consists of an Owner Certification and Attachment A Report. The PIR must include a description of the corrective actions taken and the date(s) the corrective actions were completed. PIRs must be received and the corrective actions must be completed and reported to the inspector and MSHDA in accordance with the requirements in the chart below:

“Physical Inspection Deadlines for Corrective Actions and
Owner/Management Responses”

PI Deficiency	Correction Deadline	Owner/Management Response Deadline
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EH&S (Life-Threatening)	Immediate/no later than 24 hours after the inspection date	No later than 3 business days after the <u>inspection</u> date
H&S (Non-Life Threatening) L1, L2 & L3	No later than 60 calendar days after the date the Physical Inspection Report is issued (inspection cover letter date)	No later than 60 calendar days after the date the Physical Inspection Report is issued (inspection cover letter date)
M	No later than 6 months after the Physical Inspection Report is issued (inspection cover letter date)	<u>First Response</u> - No later than 60 calendar days after the date the Physical Inspection Report is issued (inspection cover letter date). If any "M" items are uncorrected, response must include the date it is anticipated that corrections will be made; <u>Second Response</u> - No later than 6 months after the date the Physical Inspection Report is issued (inspection cover letter date). Response must include the actual dates the work was completed.

8. Reviewing Management Responses and Issuing Follow-up Letters. If the selected physical inspection contractor observed any deficiencies during the inspection, the Owner/Management Agent is required to submit a complete, accurate and timely written response to the PIR to the inspector and MSHDA Compliance. The PIR must describe the corrective actions taken and include the date the corrective actions were completed.

- a. EH&S Response. If the inspector observed any life-threatening/EH&S deficiencies during the inspection, the Owner/Management Agent must correct the issues immediately or no later than 24 hours after the inspection date. The Owner/Management Agent must also submit a written EH&S response ("EHSR") to the inspector and MSHDA no later than 3 business days after the inspection is conducted.
- b. Reviewing the EHSR. Upon receipt of the EHSR, the selected contractor must review the documents and determine if all physical inspection deficiencies have been corrected in a manner that is satisfactory to the inspector and in accordance with Authority requirements specified in the instructions for completing the Owner Certification and Attachment A forms which are located on the MSHDA Compliance website (click on Rental, Property Managers, Compliance for Rental Housing, Forms, Physical Inspection Forms).

http://www.michigan.gov/documents/bshda/mshda_crh_f_pif04_instructions_185460_7.pdf

- c. Physical Inspection Response. In addition to the EH&SR noted above, the Owner/Management Agent must submit a PIR no later

than 60 calendar days after the report date for UPCS and MSHDA deficiencies.

- d. Reviewing the PIR and Issuing Follow-up Letters. Upon receipt of the PIR, the selected contractor must review the documents and determine if all inspection deficiencies have been corrected timely and in a manner that is satisfactory to the inspector and in accordance with Authority requirements.
 - i. If a complete, accurate and timely PIR is received, the selected contractor will issue a close-out letter to notify the Owner/Management Agent that deficiencies have been satisfactorily resolved and the physical inspection is being closed (See below Section VII.C.10 entitled Contractor Close-out Process.)
 - ii. If a response is received, but the response is incomplete, inaccurate, or if a correction or additional documentation is needed, the selected contractor must send a follow-up letter to the Owner/Management Agent. The follow-up letter must request that the correction and/or additional documentation be provided no later than 10 calendar days from the follow-up letter date.

If all deficiencies have not been certified as corrected and some outstanding issues still exist, the follow-up letter must notify the Management Agent/Owner that corrective actions are required and list the items not certified as corrected. The selected contractor must forward an electronic copy of this follow-up letter to MSHDA's Compliance Monitoring.

- iii. The selected contractor shall be available to the Authority to discuss responses from Management Agents/Owners and/or to provide copies of notes, correction documents, etc., pertaining to inspections.

9. Issuing Nonresponse and Follow-up Letters.

- a. If the Management Agent/Owner does not respond by the required correction deadline for the EH&S response or 60 day response, the selected contractor must issue a nonresponse letter (using Authority-approved language) to the Management Agent/Owner (with an electronic copy to MSHDA Compliance Monitoring). The nonresponse letter must be issued no later than 3 calendar days after the required correction date.
- b. If a response to the nonresponse letter is received, the selected contractor will review the response as specified in Section VII.C.8 above. If the response is incomplete, inaccurate, or additional documentation is needed, the selected contractor must send a follow-

up letter to the Owner/Management Agent. The follow-up letter must request that the correction and/or additional documentation be provided no later than 10 calendar days from the follow-up letter date.

- c. After the nonresponse letter is issued, if no response is received after the required response period, the selected contractor must close-out the physical inspection with the outstanding noncompliance issues described in the close-out letter and the noncompliance issues must be referred to the Authority for resolution.

10. Physical Inspection Closeout Process. Upon completion of the physical inspection process, the selected contractor shall submit a closeout letter in the Authority-approved format to the Management Agent/Owner (with an electronic copy to MSHDA Compliance Monitoring). If outstanding items still exist when the selected contractor closes the inspection, MSHDA will take the appropriate enforcement action to resolve the issues.

11. Extension Requests. If all corrections cannot be made by the required deadline because of extenuating circumstances, the Management Agent/Owner must submit an Extension Request to the inspector. The request must be submitted on the MSHDA Extension Request form or in a similar format with all the required information. The Extension Request form can be found on the MSHDA website (click on Rental, Property Managers, Compliance for Rental Housing, Forms, and Physical Inspection Forms).

http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26589-90761--,00.html

The selected physical inspection contractor may approve extensions up to 6 months for extenuating circumstances. If an extension is approved, the Owner/Management Agent must submit the final PIR to MSHDA for review no later than the extension due date.

12. Conducting Re-inspections. Re-inspections shall be performed only at Authority-financed developments and **shall be performed only if requested in writing by the Authority.** The Authority reserves the right to add additional inspection items or units under special conditions, if the Authority deems this necessary and appropriate based on the results of the previous inspection or for any other reason(s).

If requested by the Authority, re-inspections at Authority-financed developments shall:

- a. Be performed 6 months after the annual inspection or when requested by the Authority.
- b. Include a review of all deficiencies noted during the last physical inspection to ensure the satisfactory completion of the work.

13. Follow-up Inspections for HOME. Follow-up inspections may be required for certain HOME units and **shall be performed only if requested in writing by the Authority.**

For all properties with HOME funds committed after 8/23/2013, the HOME Final Rule 07/24/2013, Section 92.504(d)(1)(B), requires that a follow-up inspection be conducted to verify that all hazardous deficiencies have been corrected within 12 month of the physical inspection.

D. Additional Physical Inspection Requirements. Selected contractors will work with Compliance Monitoring and/or other designated MSHDA staff to ensure consistency and uniformity in physical inspection and reporting procedures.

1. Attend MSHDA Workshops, Meetings and Conference Calls. Selected contractors must attend MSHDA Compliance workshops, meetings and/or conference calls to:

- a. Ensure familiarity with state agency policies and consistency in the physical inspection process.
- b. Review physical inspection progress and results.
- c. Discuss physical inspection process issues.
- d. Discuss requirements for owner response forms.
- e. The selected contractor must be available to the Authority to discuss methods and results of the physical inspections and responses from Management Agents/Owners. The selected contractor will provide verbal or written clarification regarding the physical inspection deficiencies of any and all developments to MSHDA staff and/or Owners/Management Agents when needed. The selected contractor shall also provide copies or notes, etc., pertaining to physical inspections, if requested by Authority staff.

2. Attend Trainings on UPCS and MSHDA (“UPCS Plus”) Requirements.

- a. All selected contractors must attend UPCS training. The Authority is not responsible for any contractor training costs.
- b. To ensure consistency and uniformity in inspections, selected contractors must attend workshops provided by the Authority to discuss inspection processes and forms and inspection standards including “UPCS Plus” requirements. A mandatory training session for selected contractors is tentatively scheduled for December 2016.
- c. The physical inspection standard for MSHDA financed developments is “UPCS Plus”. The basis for this standard is the Uniform Physical Condition Standard (UPCS) and also includes additional MSHDA requirements. UPCS is the standard used by HUD REAC PASS

inspectors. Training and proficiency in this standard is required of all MSHDA selected contractors.

3. **Submit Invoices for Payment of Fees.** The selected contractor must submit invoices for services rendered in a manner and format prescribed by the Authority. The selected contractor may only bill MSHDA for units that are inspected. A copy of each inspection cover letter and Physical Inspection Report must be sent to the Authority by electronic mail, first class or overnight mail, or hand delivery when the selected contractor's invoice is submitted for payment.
 4. **Record Keeping.** The selected contractor must maintain records as deemed necessary by the Authority and make the records available to the Authority for three (3) years after the expiration of the awarded contract or extension thereof. (See Section VII.F below entitled Technical Specifications and Requirements.)
- E. **Assistance from MSHDA.** MSHDA Compliance staff will provide scheduling or other types of assistance to the selected contractor if an Owner/Management Agent fails to respond or cooperate with the selected contractor in the physical inspection process. The selected contractor must notify MSHDA by email of any issues that require MSHDA staff assistance.
- F. **Physical Inspection Technical Specifications and Requirements.** MSHDA has developed systems to help streamline the physical inspection process. In order for this process to continue to work, the selected contractor must be able to use these systems for conducting and reporting physical inspections.
1. **MSHDA's Online Databases – MPI and OPIC.** In order to use MSHDA's online databases, MSHDA MPI and the Owner's Physical Inspection Certification ("OPIC") system, the selected contractor must have administrative access to their devices and a web browser (i.e., Internet Explorer capable at an 8.0 version or higher.) Also, the selected contractor must have the ability to turn off pop-up blockers. Please note that all related expenses are the responsibility of the selected contractor.
- The MSHDA Compliance Portal, featuring OPIC must be used for follow-up and tracking of the physical inspection processes where applicable.
2. **MSHDA's Multifamily Property Inspection (MPI) Software.** The Authority will provide the selected contractor with MPI software and instructions for installation. The MPI software will be provided to selected contractor(s) at no charge. MPI is updated periodically and selected contractors are required to install and maintain updates on a timely basis when issued.

MPI is a software application that allows selected contractors to schedule inspections or audits, record data and create Physical Inspection Reports and File Audit Reports. Selected contractors access MPI through a secured web portal to schedule inspections and audits. Once the inspection or audit has been scheduled, property data can be downloaded from the MSHDA Compliance database for use during or after the inspection or audit to input findings. After inspection or audit findings have been entered into MPI,

Physical Inspection Reports or File Audit Reports can be generated. MPI is a disconnected application which allows selected contractors to enter inspection or audit data and create reports on-site without an internet connection. Once inspection or audit data is entered, an internet connection is required to upload the data to MSHDA.

The MPI software provided by the Authority is the property of the Authority. Selected contractors must agree not to copy, loan, or sell the MPI software, or make it available to other persons or entities (other than the selected contractor's employees or subcontractors) or use the software for any purpose other than Authority file audits and physical inspections. The selected contractor may not alter or modify the software in any way.

In order to run the MPI program, the selected contractor(s) must have administrative access to their machines, an Internet service provider and an email account. Please note that all related expenses are the responsibility of the selected contractor.

3. **MSHDA Compatible Software.** All documentation related to physical inspections that is stored electronically and/or submitted to the Authority must be in a compatible format. Software programs currently compatible with MSHDA's systems include Adobe and Microsoft products such as Excel, Access, or Word.

Adobe Reader/Writer software (version supported by MSHDA) **is required** for the creation of Physical Inspection Reports.

4. **Contractor Database.** Selected contractors are required to create and maintain a database for tracking the status of the physical inspection process. The data for each property must contain the project name, address and MSHDA number. The selected contractor must retain the data collected in the database throughout the life of the contract, including any contract renewals or extensions. Periodically throughout the contract period, MSHDA may request that the selected contractor provide a physical inspection status report.

At the expiration of an awarded contract, any and all data collected for the contracted services will be given to MSHDA via data transfer in an approved format. Approved formats are listed in order of MSHDA's preference:

- a. SQL.
- b. Microsoft Access.
- c. Microsoft Excel.

5. **Ownership of Data and Records.** Any and all Work Products shall be deemed the property of the Authority.
6. **Record Keeping.** The selected contractor shall retain and make available to the Authority (and the Auditor General of the State of Michigan, or any

authorized representative) all physical inspection records for three (3) years after the expiration of the awarded contract or extension thereof unless permission to destroy them on an earlier date is granted by both the Authority and the State of Michigan.

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSALS**

EXHIBIT A

NOTICE TO BIDDERS

I. Bidder Qualifications/Requirements

Proposals not including requested information may be viewed by the Authority as non-responsive and not considered further. Bidders are strongly encouraged to review their proposals prior to submission to ensure that all requested information is included. Bidders must be sure to indicate whether they wish to be considered for File Audit, Physical Inspection or both.

A. Bidder's Experience. The Authority has identified the qualifications outlined in the Scope of Work that it believes are necessary for the successful performance and completion of the services sought. Please refer to the service requirements provided above in the Scope of Work for both file audit and physical inspection.

1. File Audits - Qualifications and Experience Required for Performing File Audits. Selected contractors conducting file audits must possess a minimum of 3 years' experience reviewing tenant files for compliance with federal regulations, and be knowledgeable of MSHDA policies and requirements.
 - a. Technical Knowledge Requirement. Selected contractors conducting file audits must possess technical knowledge of HUD 4350.3, LIHTC and HOME rules and regulations and proficiency in calculating rents and household income, determining resident eligibility and evaluating these and other factors for compliance with a variety of federal housing programs.
 - b. Training and Certification for File Audits. The selected contractor must ensure that key persons who perform file audits have received appropriate training from a program approved by HUD or the Authority. The selected contractor will provide recent certificates of training for each key person who performs file audits, thereby certifying that the key person is adequately trained to perform file audits as described in this RFP.
 - c. Continuing Training. The selected contractor will annually attend workshops or seminars that provide training on the HUD 4350.3 Handbook (Occupancy Requirements of Subsidized Multifamily Housing Programs), which include clarifications and updates regarding essential compliance requirements such as calculating and verifying income and assets, and determining program and project eligibility. The selected contractor will annually attend a tax credit compliance seminar if the selected contractor performs file audits for developments assisted through the Low Income Housing Tax-Credit Program. During the awarded contract period, the selected

contractor must submit on-going training certifications to MSHDA Compliance each January.

Note that the selected contractor will not be reimbursed by the Authority for the cost of or expenses incurred in connection with workshops or seminars.

2. Physical Inspection - Qualifications and Experience Required for Performing Inspections. Uniform Physical Condition Standards (UPCS) – Education and Experience Requirements apply; additional qualifications and experience may include but are not limited to the following:
 - a. Technical Knowledge Requirement. Selected physical inspection contractors must possess technical knowledge in residential and/or commercial building trades (carpentry, electrical, HVAC, masonry, plumbing).
 - b. All selected physical inspection contractors must be knowledgeable and proficient in UPCS.
 - c. Selected physical inspection contractors must possess a minimum of 3 years' experience conducting a minimum of 250 property physical inspections for compliance with federal and/or MSHDA standards. (Note that "unit" inspections do not qualify as any of the 250+ property inspections.)
 - d. A property inspection includes, but is not limited to, the areas and criteria noted below and applies to all 250+ property inspections:
 - i. The selected inspection contractor must have been solely responsible for directly conducting the inspections, without assistance.
 - ii. The selected contractor must have applied their knowledge, skills and expertise in assessing the following areas during the course of the physical inspection of the following areas:
 - Site
 - Exterior of Buildings
 - Building Systems
 - Common Areas (non-residential)
 - Residential Buildings and Units
 - iii. The selected contractor must have directly inspected/tested the targeted (i.e., those areas available for inspection) areas/items and recorded the observations and assessments manually or electronically.

- iv. The selected contractor's written completed inspection report/output must be able to clearly demonstrate i through iii above.

- B. Bidder's Authorized Signatory.** An official authorized to commit the Bidder to the terms and conditions of the proposal must sign the proposal being submitted. The Bidder must clearly identify the full title and authorization of the designated official and provide a statement of bid commitment with the accompanying signature of the official. Attach any resolutions authorizing the approved signatory with the proposal. Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the Authority.
- C. Bidder Organization Authorized to Transact Business in Michigan.** The Bidder must be either a Michigan entity (limited partnership, Limited Liability Company, for-profit corporation or non-profit corporation, etc.) or, if foreign, authorized to do business in the State of Michigan.

Proposals from Sole Proprietors Will Not be Accepted

Questions regarding specific requirements to transact business in the State of Michigan should be referred to or otherwise contact the Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau at:

http://www.michigan.gov/lara/0,4601,7-154-61343_35413---,00.html.

- D. Bidder's Minimum Internet/Technological Capabilities.** MSHDA has developed systems to help streamline the file audit and physical inspection process. The selected contractor must be able to use these systems for conducting and reporting file audits and physical inspections.

1. MSHDA's Online Databases – MPI, OPIC, and CARS: (File Audits & Physical Inspections)

In order to use MSHDA's on-line databases MSHDA Multifamily Property Inspections (MPI), Owner's Physical Inspection Certification (OPIC), and the Compliance Audit Response System (CARS), the selected contractor must have administrative access to their devices and a web browser that is I.E. (Internet Explorer) capable at a 8.0 version or higher. Also, the selected contractor must have the ability to turn off pop-up blockers. Please note that all related expenses are the responsibility of the selected contractor.

The Authority will assign each selected contractor a web administrator account. The selected contractor must assign one individual as the administrator of the account. Only the administrator can create new accounts for each of the selected contractor's "users" and will be required to maintain these accounts for the contractor. Each selected contractor will be required to establish at least one "user" account.

2. MSHDA's Multifamily Property Inspection (MPI) Software: (File Audits and Physical Inspections)

The Authority will provide the selected contractor with MPI software and instructions for installation. The MPI software will be provided to the selected contractor(s) at no charge. MPI is updated periodically and selected contractors are required to install and maintain updates on a timely basis when issued.

MPI is a software application that allows contractors to schedule inspections or audits, record data and create Physical Inspection Reports and File Audit Reports. Contractors access MPI through a secured web portal to schedule inspections and audits. Once the property inspection or audit has been scheduled, property data can be downloaded from the MSHDA Compliance database for use during or after the inspection or audit to input findings. After inspection or audit findings have been entered into MPI, physical inspection or file audit reports can be generated. MPI is a disconnected application which allows contractors to enter inspection or audit data and create reports on-site without an internet connection. Once inspection or audit data is entered, an internet connection is required to upload the data to MSHDA.

The MPI software provided by the Authority is the property of the Authority. The selected contractor must agree not to copy, loan, or sell the MPI software, or make it available to other persons or entities (other than the selected contractor's employees or subcontractors) or use the software for any purpose other than Authority file audits and physical inspections. The contractor may not alter or modify the software in any way.

In order to run the MPI program, selected contractors must have administrative access to their machines, an Internet service provider and an email account. Please note that all related expenses are the responsibility of the selected contractor.

3. MSHDA Compatible Software: (File Audits and Physical Inspections)

All documentation related to file audits and physical inspections that is stored electronically and/or submitted to the Authority must be in a compatible format. Adobe and Microsoft products such as Excel, Access, or Word are compatible with MSHDA's systems.

Adobe Reader/Writer software (version supported by MSHDA) **is required** for the creation of physical inspection and file audit reports.

4. Contractor Database:

Selected contractors are required to create and maintain a database for tracking the status of the file audit and/or physical inspection processes. The data for each property must contain the project name, address and MSHDA number. The selected contractor must retain the data collected in the database throughout the life of the contract, including any contract renewals or

extensions. Periodically throughout the contract period, MSHDA may request that the selected contractor provide a physical inspection or file audit status report.

At contract expiration, any and all data collected for the contracted services will be given to MSHDA via data transfer in an approved format. Approved formats in order of MSHDA's preference include SQL, Microsoft Access, and lastly, Microsoft Excel.

5. Contractor Computer Skills:

The selected contractor's key persons must be able to use a computer to conduct file audits and inspections and perform the following:

a. Internet

- i. Access an internet website.
- ii. Submit information to a website.
- iii. Download files and save them to a specific location on the computer.

b. Software, Email and Windows Functions

- i. Send and receive email messages with attachments.
- ii. Open and use multiple software applications at the same time.
- iii. Create, navigate and save files and folders.
- iv. Install new software.
- v. Use Adobe Writer to produce PDF document.

E. Limits on Liability & Indemnification. The Bidder must review and acknowledge that the Authority will require the Bidder to satisfy the following requirements prior to the execution of a contract with the Authority. If the Bidder has objections, please provide an explanation with your proposal outlining the objection.

If awarded a contract, the Bidder agrees to:

1. Indemnify, defend and hold harmless the Authority, its Board, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:
 - a. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from (1) the services provided ("Services") or (2) performance of the Services, duties, responsibilities, actions or omissions of the Bidder or any of its subcontractors under an awarded contract.
 - b. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from a breach

by the Bidder of any representation or warranty made by the Bidder in an awarded contract.

- c. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or related to occurrences that the Bidder is required to insure against as provided for in an awarded contract.
- d. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Bidder, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the Authority.
- e. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents which results from an act or omission of the Bidder or any of its subcontractors in its or their capacity as an employer of a person.
- f. any action or proceeding threatened or brought against the Authority to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Bidder or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States.

F. Bidder's Insurance Coverage. The Bidder must maintain and provide evidence, satisfactory to the Authority, of the following minimum insurance coverage:

- 1. General Liability Insurance for \$1,000,000 with the Authority shown as additional insured;
- 2. Errors and Omissions Insurance for \$1,000,000 for each occurrence and \$1,000,000 annual aggregate;
- 3. Worker's Compensation Insurance (if required under state law). Any citing of a policy of insurance must include a listing of the States where that policy's coverage is applicable.
- 4. If required by the Authority, Cyber Security Insurance for \$1,000,000.

G. Project Personnel. Bids must acknowledge and identify project personnel who will be performing services pursuant to an awarded contract and (a) sign the

contract on behalf of the selected contractor and/or (b) are listed in the form attached and incorporated into this RFP as Exhibit D.

II. Notifications to Bidders

A. Questions Regarding RFP. Questions raised by Bidders concerning the RFP must be submitted in writing via either email or fax.

- To ensure a fair and impartial process, the Authority's Procurement Office will only address those questions concerning the RFP submitted in writing via email or fax.
- Phone calls involving the RFP or related questions will not be accepted.
- Firms submitting bids shall not contact any Board members or Authority staff.
- Submit questions using the subject line ***Tenant File Audits and Physical Inspections RFP*** to the attention of:

**Michigan State Housing Development Authority
c/o Procurement Office
735 E. Michigan Avenue
Lansing, Michigan 48912**

**E-mail: MSHDA-Procurement@michigan.gov
Fax: (517) 335-0125**

- Address all questions regarding the RFP to the Authority's Procurement Office.
- Questions must be received in writing by ***4:00 pm, Friday, August 26, 2016 Detroit, Michigan time.***
- Responses to properly submitted questions will be posted by ***Wednesday, August 31, 2016.***
- The Authority will hold no other question sessions or bidder's conferences.
- All questions and answers related to this RFP will be supplied to Bidders providing the Procurement Office with notification of intent to submit a proposal.

Important Notice Regarding RFP Questions: Prior to submitting questions, please review the "Previously Asked Questions and Answers" posted with this RFP on Buy4Michigan. Bidders should only submit questions that have not already been addressed by the Authority.

- B. Revisions to RFP.** If, prior to the proposal deadline, the Authority deems it necessary to provide additional clarifying information, or to revise any part of the RFP, supplements or revisions will be provided to all Bidders who have indicated they will submit a proposal. Proposals will then be evaluated based on the terms and conditions of the RFP, any supplements or revisions to the RFP, and the answers to any written questions.
- C. Michigan Freedom of Information Act.** All documents submitted to the Authority are subject to the Michigan Freedom of Information Act ("FOIA"). In the event a request for submitted documents is made to the Authority, the Authority's FOIA Coordinator will redact or withhold information and/or documents that are exempt from disclosure under FOIA. *See MCL 15.243 et seq.* Please note that any requests by non-MSHDA personnel to review proposals will be denied until the deadline for submission of the bids has expired. *See MCL 15.243(1)(i).*

Please submit FOIA requests to the Authority as follows:

**MSHDA FOIA Coordinator
c/o Legal Affairs
735 E. Michigan Avenue
Lansing, MI 48912**

- D. Payments to Pensioned Retirees.** 2007 PA 95, MCL 38.68c requires retirees of the State Employees Retirement System ("Pensioned Retirees") who become employed by the State either directly or indirectly through a contractual arrangement with another party on or after October 1, 2007 to forfeit their respective state pensions for the duration of their reemployment. **Accordingly, any Pensioned Retiree who provides or renders services pursuant to the contract for which bids will be made under this RFP shall be required to forfeit his or her pension during the term of the contract.**

Proposals must acknowledge and confirm whether Pensioned Retirees will render services under the contract being sought through this RFP. If the Bidder intends to use a Pensioned Retiree, the Bidder must submit written confirmation from the Pensioned Retiree that he or she agrees to forfeit his or her pension during the term of the contract, if awarded. If awarded a contract, the Bidder must submit a copy of the Pensioned Retiree's directions to the State of Michigan's Office of Retirement Services ("ORS") to withhold the retiree's pension payments until the end of the contract term by having the Pensioned Retiree complete a Retiree Rehire Certificate. A copy of the Retiree Rehire Certificate will be required to be submitted prior to executing an awarded contract.

- E. Contract Award Approvals.** Prior to executing an awarded contract, the Authority must seek and obtain Michigan Civil Service approval. The required forms will be submitted to Civil Service prior to the Authority's Board approval.

Contracts that equal or exceed \$45,000 must be approved by the Authority's Board. Thereafter, an awarded contract will be forwarded to the selected Bidder with instructions to review, sign, and return two "originals". Upon receiving the signed "originals", the Authority's Procurement Office will submit the signed "originals" to a duly authorized signatory for final execution on behalf of the

Authority. One fully executed "original" will then be returned to the selected contractor.

F. Applicable Laws. The selected contractor will be required to comply with all Michigan and federal laws, as well as acquire any permits or permission-related documents to provide services being sought.

G. Submissions Subsequent to Award. As part of an awarded contract, the selected contractor will be required to review and provide and/or acknowledge additional documents including but not limited to:

- Certifications Regarding Debarment, Suspension and Other Responsibility Matters form.
- W-9 Request for Taxpayer Identification Number and Certification.
- Retiree Rehire Certificate.

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT B

PROPOSAL SUBMISSION

I. Submitting Proposal

- Bidders wishing to submit proposals must submit an electronic copy of a proposal to provide the services described in the Scope of Work.
- Submitted proposals must respond to and address the tasks, activities, listed requirements and questions outlined in the Scope of Work of this RFP and its attached and incorporated exhibits.
- The due date for the Authority's receipt of the proposals responding to this RFP is **Monday, September 19, 2016** at 4 p.m. Detroit, Michigan time.
- The Authority shall not be liable for any costs that a Bidder may incur while preparing a proposal.
- The Authority shall not be liable for any costs that a Bidder may incur prior to the complete execution of a contract.
- If the Authority enters into a contract, the Authority's consideration (payment) shall be limited to the term of the awarded contract.

II. Proposal Delivery

A. Due Date. Proposals responding to this RFP are due **Monday, September 19, 2016** at 4 p.m. Detroit, Michigan time

B. Originals and Copies. Submit one original proposal in hard copy and one original in electronic format (i.e., CD or USB) outlining how the Bidder will provide the services described in the Scope of Work.

C. Delivery of Proposal. Direct all deliveries to:

MSHDA-Procurement
Michigan State Housing Development Authority
735 East Michigan Avenue
PO Box 30044
Lansing, MI 48909

D. Delivery Confirmation. Bidders considering delivery confirmation should select a delivery service who can provide the Bidder with notice of delivery.

E. Commencement of Work. Project work shall not commence until execution of a project contract. The selected contractor shall not proceed with performance of the

project work or incurring of project costs until both parties have signed the project contract to show acceptance of its terms and conditions.

- F. Project Control.** The selected contractor will carry out this project under the direction and control of the Authority and its designated Contract Administrator.

III. Selection of Proposal

The selection of a proposal shall be subject to a review by the Authority's Legal Affairs Division concerning conflicts of interest and/or participation in Authority programs by the Bidder, its officers, employees, subcontractors or independent contractors.

- A. Selection Criteria.** The Authority will select the submitted proposal based on Selection Criteria listed below for File Audit and Physical Inspection, respectively. Bidders submitting for consideration individually as either File Audit or Physical Inspection will be evaluated in accordance with the respective criteria as provided below. Bidders submitting for consideration as both File Auditor and Physical Inspector will be evaluated according to both sets of criteria:

File Audit Criteria	Maximum Points
Experience and General Capacity of the Entity to Perform File Audits	25
Experience and Qualifications of Key Personnel	35
Project Management Plan	20
Fees	20
Total	100

Physical Inspection Criteria	Maximum Points
Experience and General Capacity of the Entity to Perform Physical Inspections	20
Experience and Qualifications of Key Personnel	35
Project Management Plan	10
Proposal includes REAC inspections and the entity includes at least one REAC Certified Inspector with current HUD Authorization to Conduct the REAC Inspections	15
Fees	20
Total	100

- B. Proposal Selection.** The Authority's review may take up to four weeks after the closing date for submitting proposals. The Authority anticipates notifying the selected contractor on or about October 26, 2016 via e-mail and posting on the Authority's website; however, the selection and final notice of award will be contingent on approval by the Michigan Civil Service Commission and the Authority's Board.

C. Cancellation of Selected Proposal. The selection of a proposal by the Authority may be cancelled at any time prior to the complete execution of a contract. If the Authority cancels its selection of a proposal, the Authority may repost this or a similar RFP and re-seek proposals. Reasons for canceling the selected proposal may include, but are not limited to, the following:

1. Refusal of Department of Civil Service to process required forms.
2. Refusal of duly authorized Authority signatory to execute the contract.

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT C

PROPOSAL FORMAT

I. Overview

- Proposals must be submitted in the format described in this Exhibit C as outlined below.
- There should be no attachments, enclosures or exhibits other than those considered by the Bidder to be essential to a complete understanding of the proposal.
- Each section must be clearly identified with appropriate headings, tabulations and/or table of contents.
- The proposal should be clear, accurate, and complete, with sufficient detail to enable the Authority to evaluate the services and methods proposed.

II. Headers/Table of Contents

A. Business Organization. Include the following information and supporting documentation:

1. The full name and address of Bidder, including any "Doing Business As" titles.
2. The branch office or name and address of registered agent, if applicable.
3. The type of entity (e.g., Michigan corporation, Michigan nonprofit corporation, Michigan limited liability company, foreign). Note that the selected contractor will be required to provide proof of authorization to conduct business in the State of Michigan.

B. Management and Personnel. Answer/Address the following:

1. **Organization Chart** – The Bidder must show the names, functions, positions and titles of all professionals in the organization as well as any subcontractors, if applicable.
2. **Listing of Personnel** – The Bidder must include names, titles and a brief description of each individual's particular role or function within the organization. The listing should clearly designate the name and title of the individual who will function as the Authority's designated contact person for the contract. The listing must contain the designated contact person's address, telephone, fax and email address. The contractor's main office information should also be provided, if different than the contact person.

3. **Detailed Resumes** – The Bidder must include resumes for all personnel that will be directly involved in providing the services under this contract, including any proposed subcontractors and their employees.
4. **Subcontractor Information (if applicable)** – If a subcontractor will be used, detailed information regarding the entity must be provided as well as resumes and certifications for the individuals who will be performing services under the contract. To facilitate communication if/when needed, contact information (address, phone number and email address) for a primary contact person and for any file auditors and/or physical inspectors must also be provided.

C. Qualifications, Experience and Capacity.

1. **Prior Experience of Bidder.** Indicate prior experience of your organization that you consider relevant to the successful performance of the services and requirements described in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Include descriptions of qualifying experience, including project descriptions, costs, and starting and ending dates of projects successfully completed. Also include the name, address, and telephone number of the responsible official of the client organization who may be contacted.
 - a. Provide a detailed description of the individual's and/or firm's qualifications, experience and capacity that demonstrate its capability to perform file audits and/or physical inspections.
2. **Experience of Proposed Personnel Assigned to Provide Services.** The proposal should describe the education and experience of the personnel who will be assigned to provide the proposed services, including managers who may oversee work of personnel.
 - a. **Detailed Resumes** – The Bidder must include resumes for all personnel that will be directly involved in providing the services under an awarded contract, including any proposed subcontractors and their employees.
3. **Confirm Whether Any Assigned Personnel Receive Pension Payments from the State of Michigan.** If any assigned personnel receive pensions from the State of Michigan, you must provide confirmation, signed by each assigned person with a State of Michigan pension, that he or she acknowledges and agrees that he or she must forfeit any pension payments made during the term of the contract. If a contract is awarded, each assigned person with a State of Michigan pension must submit a copy of the pensioned retiree's directions to the State of Michigan's Office of Retirement Services to withhold the retiree's pension payments during the contract term.
4. **Professional References.** Include professional references who can provide information regarding the Bidder's prior past performance.
5. **Additional Information and Comments.** Include any other information that is believed to be pertinent but not specifically asked for elsewhere.

D. Proposed Services.

- 1. How Services Will be Rendered.** Address and describe the process used to render the services and how the services will be rendered. This should be an overview of the methodology to be used, based on staff and time frames, to meet the project scope of work and complete the required services within the time frame of the project.
- 2. Use of Subcontractors.** If any work will be subcontracted, describe the following:
 - a. Work that will be subcontracted.
 - b. The process used to select the subcontractors.
 - c. The subcontractor's experience and expertise.
 - d. The names of the firms/individual(s) who will perform the subcontracted work.
 - e. How quality of service will be monitored and ensured.
- 3. Security of Data.** If the services to be rendered require the collection and/or use of confidential and/or personal data, confirm the following:
 - a. Has your organization established and used a policy to address the security of paper and electronic data? (***Please do not submit a copy of your security policy.***)
 - b. Does your policy address the removal of confidential and/or personal data from storage media? (For example, does your firm's policy include the removal or "wiping" of data from hard drives when a computer is no longer used?)
- 4. Copyrighted Materials.** Acknowledge and/or confirm the following:
 - a. You agree that any and all products produced as a result of this contract shall be the property of the Authority.
 - b. You agree that the Authority shall (a) hold a copyright on all materials or products produced under the contract and (b) be allowed to file for a copyright with the United States Copyright Office.
 - c. You acknowledge that submitted documents will not contain in part or whole copyrighted materials.

E. Price Proposal & Budget

1. The Proposed Fee Schedules must be stated on a cost per unit basis and must include all expenses, including reporting and data entry into MSHDA's web-based

system. The cost per unit will be based upon the files audited or units inspected in a development.

2. The Proposed Fee Schedules must be submitted in the format provided in this RFP and should be completed for the following years: 2017, 2018, 2019, 2020 and 2021. The Proposed Fee Schedules will be the basis for the Evaluation Criteria "Fees", #4 and #5 for File Audit Criteria and Physical Inspection Criteria, respectively.
3. If more than one option is proposed, additional Fee Schedules must be submitted for each option (for all years) and the Schedules must be labeled accordingly with the appropriate option number and description.
4. The Proposed Fee Schedule form is located in the Attachments section included on Buy4Michigan with this RFP.

F. Disclosure of Participation and Interests in Authority Programs.

1. **Disclosure of Interests in Authority Programs.** Authority programs include, but are not limited to, the Housing Voucher Program, any loans where the Authority is the lender, and any grants made by or administered by the Authority.
2. **Submission of Conflicts of Interests.** Submit a list of all interests that the Bidder, its officers, board members, and employees respectively have in Authority programs. If the Bidder intends to use independent contractors or subcontractors to render services, include the interests that independent contractors or subcontractors and their officers, board members, and employees respectively have in Authority programs.
3. **Potential Conflicts of Interests.** Indicate in the proposal whether the Bidder is currently under contract and/or has been awarded a grant from the Authority. Please confirm whether any potential conflict of interest will exist if the Authority enters into a contract with the Bidder.

Potential conflicts of interest may arise from the Bidder's officers, employees, members, board members, independent contractors or subcontractors the Bidder will use to render services if the firm enters into a contract with the Authority.

If the Bidder is currently under contract or is receiving a grant from the Authority, indicate if the Bidder or project personnel holds a position with another entity that may be under contract or receiving a grant from the Authority.

Include an organizational chart from each entity under contract or awarded a grant from the Authority in which the Bidder or project personnel holds a position. Include each employee's position and title within the entity. In addition, indicate whether the Bidder or the project personnel is responsible for making financial decisions in his/her capacity and what measures have been implemented to ensure that funds are not comingled.

- 4. Family Members Who Work for Authority.** Please list the names of the Bidder's officers, board members, and employees who have family members who work for the Authority and the names of the family members who work for the Authority.
- G. Signature Clause to be Signed by Bidder's Authorized Signatory.** Insert into the proposal and have the authorized signatory sign the following signature clause at the end of the proposal:

I confirm that I have submitted this proposal on behalf of _____ in response to the Michigan State Housing Development Authority's Request for Proposals entitled *Conduct Tenant File Audits and Physical Inspections.*

I also confirm that I have read and understand the Authority's indemnification, copyright, data security and insurance requirements.

By: _____

Its: _____

Date: _____

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT D

KEY PERSONS/PROJECT PERSONNEL

See appended document titled

CERTIFICATE VERIFYING PROJECT PERSONNEL

**CERTIFICATE VERIFYING PROJECT PERSONNEL OF THE
CONTRACTOR/SUBCONTRACTOR**

The Contractor/Subcontractor acknowledges that the following personnel are Project Personnel of the Contractor/Subcontractor:

(1) Name _____
(Print or type Name above line)

Title with Contractor/Subgrantee _____

Is this person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

(2) Name _____
(Print or type Name above line)

Title with Contractor/Contractor _____

Is the person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

(3) Name _____
(Print or type Name above line)

Title with Contractor/Subcontractor _____

Is the person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

Print or Type Contractor/Subcontractor Name Above Line

By: _____ Date _____
Signature

Name of Signatory for Contractor/Subgrantee: _____
Print/Type Name of Signatory Above Line

Its: _____

Federal Identification Number: _____

Pensioned Retirees (2007, MCL 38.68) (12/7/07 Rev)